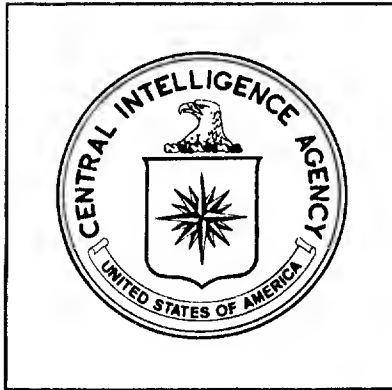


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International Narcotics Developments

DOJ Review Completed.

DIA and DOS review(s) completed.

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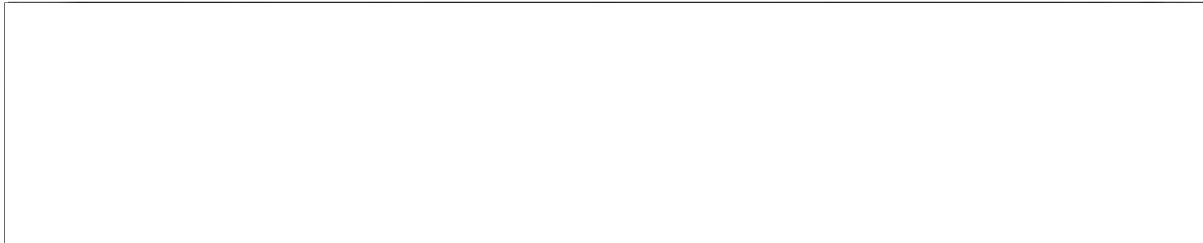
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INTERNATIONAL NARCOTICS DEVELOPMENTS
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This publication is prepared by analysts in the Directorate of Intelligence for specialists in the Washington community who are interested in international narcotics matters. Comments and queries are welcome. They should be directed to the authors of the individual articles or to 

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COLOMBIA: Narcotics Meeting with President Lopez

A US delegation met with President Lopez in Bogota last month to discuss the problem of narcotics related corruption among Colombian government officials. The meeting with Lopez--which was preceded by a series of discussions, briefings, and media attention on drug trafficking in Colombia--marks another stage in what appears to be steadily improving relations in joint drug control efforts between Washington and Bogota.



President Lopez

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President Carter's offer to provide President Lopez with evidence compiled by the US government on official corruption in Colombia was politically unprecedented. Lopez, however, who is deeply concerned about the narcotics problem, was receptive to the demarche and very candid during the meeting. After hearing information on cases

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Lopez stated that he planned to set up an elite civilian law enforcement unit to cope with crime and corruption in Colombia. Furthermore, he pledged that finding some way to solve his country's drug problem would be a priority issue during his final year in office.

Outlining some of his prospective actions, Lopez described his intentions to reform Colombia's judicial system. He explained that he had in mind adopting US procedures in which attorneys, rather than judges, would

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investigate and prosecute cases. [REDACTED]

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Lopez admitted that, although his candidate was "left of the leftists," he had complete confidence in his selection and felt he was the best criminal investigator available. There is speculation that former assistant attorney general Miguel Angel Sanchez Mendez will be named to fill that position. [REDACTED]

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Lopez' stated commitment to improve narcotics enforcement in Colombia may serve to facilitate certain bilateral drug control efforts. [REDACTED]

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Furthermore, his loyalty to the ruling Liberal Party will work against his saying or doing anything which would jeopardize the party's chances in next year's election. [REDACTED]

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The extent to which Lopez can address the drug issue may be further circumscribed because of next year's election. With the primary slated for February, Lopez will soon become a "lame duck." After that the relationship between Lopez, his party, and the other major political institutions is likely to undergo significant changes as public attention shifts to the Liberal Party candidate and power begins to slip inexorably from the President's grasp.

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In the face of diminishing authority, Lopez may prove unable to follow through on many of his intentions regarding narcotics control.

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In fact, many former Lopez supporters believe he has failed to accomplish a wide range of social, political, and economic goals to which he assigned high priority.

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At best perhaps, Lopez may be able to set some machinery in motion that will be continued by his successor.

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PAKISTAN: Opium Price Increases

Opium prices in Pakistan's Northwest Frontier Province continue to rise. Although a sharp increase in demand is the most logical explanation, there is no reason to believe that consumption has increased significantly in Pakistan, Afghanistan and Iran--the traditional markets for this opium--and no firm evidence that opium is now being shipped to other areas such as Western Europe and the US.

According to surveys by both the Pakistanis and the DEA, the price of illicit opium is now between \$180 and \$200 a kilogram. Last fall, the price rose from \$50 to \$80, and in May the reported price was around \$140 a kilogram. The Pakistani government pays about \$20 a kilogram for licit opium.

One explanation offered for the most recent price rise is fear that the new military government will take stronger action against illicit traffickers. This theory, however, does not explain the previous price rises, and, although there may be some panic buying, it could be argued that fear of a crackdown might actually lower prices. Those who now have the opium might be eager to sell before the government takes stronger action, the middlemen who would buy the opium might be less eager to do so because their business could become more risky.

Pakistani opium has traditionally been consumed in Iran, Afghanistan and Pakistan, and there is nothing to indicate a significant increase in consumption in any of the three countries. Rising prices last year in Pakistan reportedly encouraged farmers to plant more poppies, and there is clear evidence of increased production in Afghanistan. Relatively stable demand and an increased supply should mean lower, not higher, prices.

Both Iran and Afghanistan--through which the Pakistani opium is shipped--have increased their efforts against the illicit traffic, and opium seizures have increased. So far, however, seizures have been such a

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small percentage of production that it seems unlikely that there would have been any impact on prices in producing areas. Last year Iran seized about 2,000 kilograms of opium; total production in Pakistan and Afghanistan is in the neighborhood of 30,000 to 50,000 kilograms.

A price increase of about 400 percent in one year clearly does not fit with the assumption that Pakistani opium is sold only to traditional consumers. Although there is no hard evidence that the opium is now being shipped beyond Iran, it is more likely that it is being sent to developed countries than that the law of supply and demand has been repealed by Pakistani farmers.



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PAKISTAN: Diversion of Opium Into Illicit Channels

Pakistan's licensed poppy growers may have sold more of their production to illicit traffickers this year than in recent years. The government purchased 7,580 kilograms from licensed growers, or about 4 kilograms per hectare. The land should produce between 12 and 20 kilograms per hectare, however, and the difference almost certainly goes into illicit channels.

Since 1973 an increasing percentage of the opium grown in licensed fields had been going to the government. The amount per hectare sold to the government this year, however, dropped to about the same as in 1973, before the government stepped up its efforts to control narcotics. Last year it purchased almost twice as much as this year from approximately the same acreage. The licensed diversion presumably is due to rising prices for illicit opium.

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THAILAND: Crop Substitution Efforts

The Thai government narcotics board is preparing for cabinet consideration an intensified crop substitution plan that envisages a 50 percent reduction in poppy planting by 1979 and 90 percent by 1981. Although attainment of such ambitious goals is questionable, the plan is at least a measure of the Thai government's sincerity.

The initial focus of the plan, scheduled to begin in October, is a district in northern Thailand that accounts for about one half the country's annual opium production of 50 tons. To facilitate access to markets for alternate crops--a major obstacle to date in crop substitution efforts--twelve collection centers will be built, all connected with gravel roads tying in with the existing national road network. The 200 to 300 villages in the remote mountainous area encompassed by the pilot project will be connected to the twelve centers by trails passable by pack animals.

Thai officials appear to be coming around to the view that crop substitution is the only effective way to reduce opium output. An experimental program has been under way in northern Thailand since 1973, and at least a dozen crops seem to offer promise of higher annual family incomes than now derived from opium production. One crop under consideration is coffee for which there is a Thai market considerably in excess of current production.

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ITALY: Seized Hashish Probably Came from Lebanon

The Italians suspect that the hashish recently seized at Rome's Leonardo da Vinci International Airport can be traced to Syrian sources. According to the Italian ambassador in Beirut, the hashish was shipped from Damascus by Lt. Col. Rifaat Asad, younger brother of Syrian President Hafiz Asad. Rifaat commands the elite Defense Companies, elements of which form part of the Syrian contribution to the Arab peace-keeping force in Lebanon. The Defense Companies are stationed in the northern Bekaa Valley, source of most of Lebanon's hashish crop.

Syrian forces in Lebanon have generally adopted a hands-off policy toward the lucrative drug trade, preferring for political reasons not to get involved in either policing or trafficking. Recently, however, a Lebanese army officer told the US defense attache in Beirut that Syrian army officers are taking control of the illicit drug trade in the northern Bekaa Valley.

Although we have no previous reports of the Defense Companies' alleged involvement in drug trafficking, it would not be an unusual activity for them.

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NOTEWORTHY POLITICAL AND ECONOMIC DEVELOPMENTS

(Editor's Note: These items, produced for other CIA publications, do not deal specifically with international narcotics. They are included, however, because they concern developing situations that could impact on the international narcotics control effort.)



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(Contributions from
ORPA and OSR)

TURKEY: New Government Faces Shaky Economic Situation

Having narrowly escaped a severe balance-of-payments crisis a few weeks prior to the June 5 election, thanks largely to a credit from West Germany, the new Demirel government will face another critical foreign exchange shortage within the next six months unless it obtains outside help. The timing of the crunch will depend on how long Ankara can hold up payments for imports and foreign bankers are willing to maintain deposits of foreign currency in Turkish banks. The Turks have financed nearly half of their cumulative \$4.2 billion current-account deficit in 1975-76 through these so-called convertible lira deposits. Deposits totaling \$530 million must be repaid or rolled over by the end of the year. Ankara currently has only \$700 million in foreign exchange reserves.

Turkey has exhausted readily available sources of financing; creditors and potential creditors are telling Turkish officials they will first have to begin negotiations for IMF assistance. With a much larger share of its foreign debt in private hands than ever before, government leaders are beginning to recognize that conditions for rolling over this debt may be stringent. Discussions with the IMF will take time. The pre-election Demirel government did not permit IMF representatives in the country for more than a year, fearing their policy recommendations would be politically unworkable for the shaky coalition. In the interim, Turkey may approach the US for emergency credits.

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Ankara's decision to finance rather than try to reduce its current-account deficit reflects the political conditions weak caretaker and coalition governments have operated under in the last four years. All parties were bent on pushing rapid economic growth and building up Turkish military forces despite the steep rise in oil prices and a world recession. None was willing to jeopardize its political position by dampening import demand. The US arms embargo put further strain on the balance of payments; the Turks began shopping for weapons in Western Europe on more costly terms.

Turkish leaders apparently have done little to prepare themselves or the electorate for the austerity measures the new government will have to adopt to restore the country's credit rating. The only move reportedly under consideration is a series of small devaluations--a continuation of a policy followed in recent years. If the IMF were to suggest remedies like those agreed to by Britain and Italy, Ankara probably would accept--even if it could not effectively implement--limits on the growth of domestic credit and the money supply. Curbs on military spending doubtless would be rejected out of hand. The government might accept limits on non-military spending if they did not involve substantial cuts in politically sensitive programs such as price subsidies.

Regardless of what steps Ankara takes, slower economic growth is a foregone conclusion. Without additional foreign assistance, Turkey would have to slash imports--possibly by direct controls on non-military goods. With foreign assistance and a moderate austerity program, the cuts would be more gradual and less severe. Restoration of US military aid could partially ease the foreign exchange shortage but only if the government decided to cut back on purchases of West European arms.

Inflation and unemployment probably will remain high. Devaluation of the Turkish lira would immediately raise the cost of imports and subsequently retail prices. In addition, wage pressures remain strong despite very high unemployment. The traditional outlets for surplus Turkish labor in Western Europe are plagued with high unemployment themselves and continue to send Turkish workers home, adding to the potential for political violence which has flared up frequently this past year.

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PAKISTAN: Situation Report

Chief Martial Law Administrator Zia-ul-Haq is keeping to his timetable for turning over power to an elected civilian government next fall despite the objections of some senior army officers.

On July 28, the military government released former prime minister Bhutto and 15 other political leaders who had been in custody since the coup on July 5. Since then, the government has announced the ground rules for the campaign, which were accepted by the politicians prior to their release, and has set October 18 as the date for provincial assembly elections. Electioneering is banned until mid-September, but the released political leaders will be allowed to organize for the campaign, and they have, in fact, already begun campaigning.

Zia took these steps despite strong objections from some of his subordinates, including General Mohammed Iqbal Kahn, who commands the important Fourth corps. Iqbal recently told Zia that the election should be postponed, that the military should be doing more to eliminate corruption and inefficiency, and that Bhutto should be barred from the campaign and prosecuted.

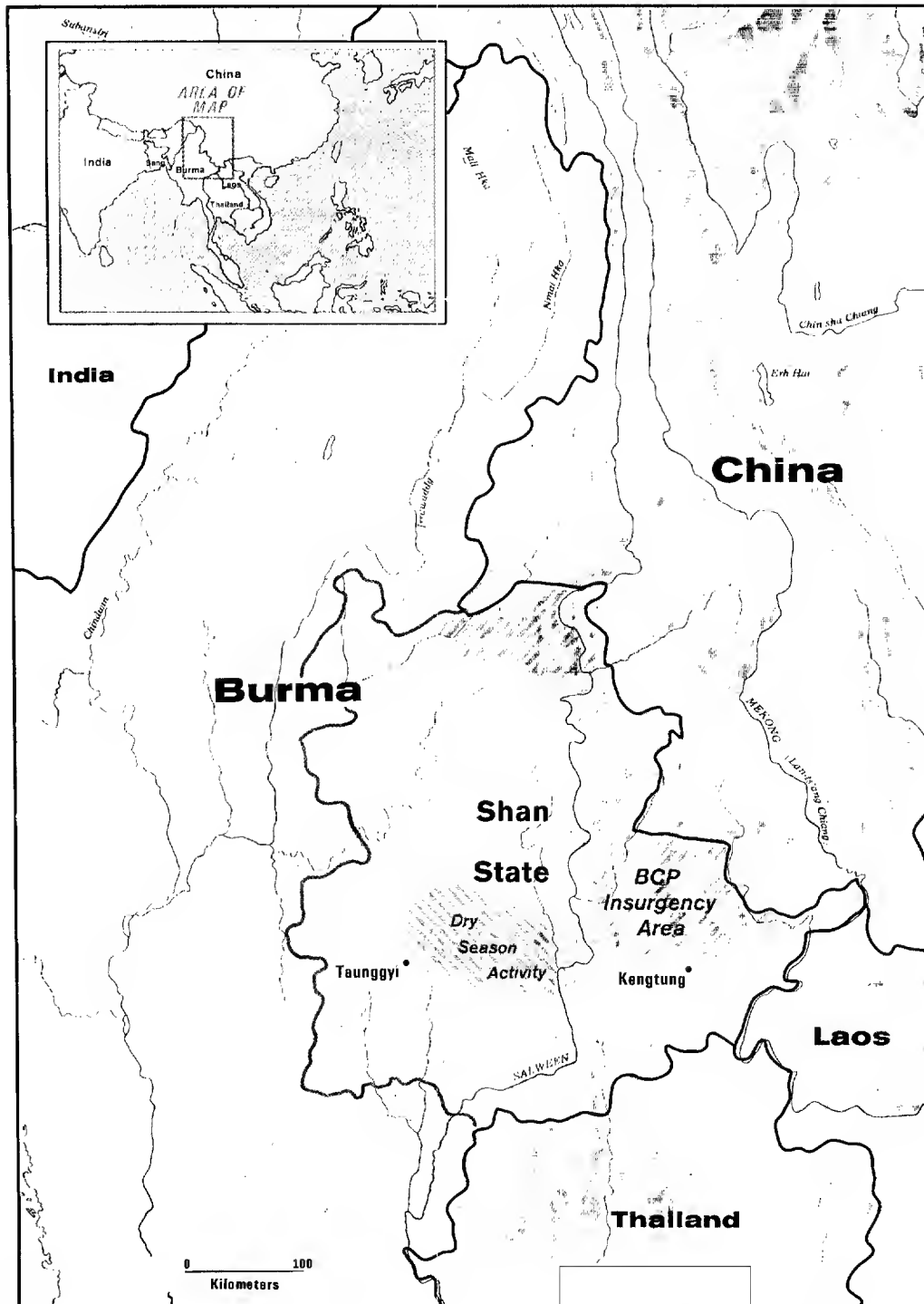
Although Zia did not accept these recommendations, he may well have been influenced by them. He has made it clear that he will impose additional strict controls on political activity if necessary. A contingency plan--in case the election has to be postponed--is being developed. Although Bhutto will be allowed to campaign, the military government is allowing individuals to bring criminal charges against him.

Zia's willingness and ability to continue with his plans for surrendering power will, of course, depend on events during the campaign. Should the electioneering become violent or should it appear to be encouraging separatist tendencies in the two westernmost provinces, Zia would be much more inclined to listen to those who advise a longer period of military rule.

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BURMA: Communist Push Blocked

Burmese security forces succeeded in stopping and rolling back a Communist insurgent offensive during the recently concluded dry season. This achievement was particularly noteworthy in view of the increasing drain that narcotics suppression efforts are making on the country's limited military resources.

Early this year, Burmese Communist forces moved out of their long-time base area east of the Salween River along the Chinese border in an apparent attempt to establish themselves in new areas in Shan State west of the Salween. The Burmese believe that about 2,200 Communist insurgents were involved. The offensive, the most ambitious effort to date by the Communists to expand their limited presence west of the Salween, appears to have been self-initiated, with no indications of prompting from their Chinese mentors. Chinese support continues, but appears to have been steadily reduced since the end of the Cultural Revolution. The Chinese, nevertheless, failed to meet Burmese President Ne Win's hope for a disavowal of the insurgency when he visited Peking three months ago.

The Burmese counteroffensive began in February, and by the end of June most Communist forces apparently had been forced to withdraw to their normal operational areas east of the Salween. Had the push succeeded, the Communists' territorial, population, and economic base would have been significantly expanded, and Burmese armed forces and towns in eastern Shan State would have been increasingly isolated and possibly cut off from land resupply.

The normally secretive Burmese regime has been giving unusual publicity in its controlled press to the military operations, and the accounts jibe with other information available to the US embassy in Rangoon. Besides wanting to give credit to the military, Rangoon probably felt impelled to ease popular concern over Communist penetrations into new areas.

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Despite the Ne Win government's economic shortcomings, it continues to demonstrate a capability to contain, although not eliminate, the formidable Communist insurgency and at the same time to cope with ethnic insurgencies and opium-running organizations.

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MALAYSIA-THAILAND: Cooperation Against Insurgents

Sacred Ray I and II, the counterinsurgency campaigns being conducted jointly by Thai and Malaysian forces along their common border, provide the best indication to date that the two countries can cooperate effectively to deal with the threat of Communist terrorists. Although suspicion and poor coordination have hampered previous efforts, this operation could lead to new and more efficient initiatives against the insurgents.

The campaigns are directed against the Malayan Communist Party (CPM), based in southern Thailand since Malaysian forces shattered its organization and forced it across the border in the 1950s. CPM insurgents were able to maintain their border sanctuaries by striking across the border into Malaysia and avoiding contact with Thai security forces.

Previous efforts to counter the insurgents were hindered by conflicting perceptions and interests. Bangkok viewed them as Kuala Lumpur's problem, and considered them a less serious threat than insurgents in other parts of Thailand. Moreover, Thai leaders suspected that Malaysia might use joint operations as a pretext for supporting the Malay Muslim separatist movement endemic in southern Thailand. The Malaysians were reluctant to commit their predominantly Muslim troops to action in areas where they have strong cultural and religious ties to local villagers.

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Operation Sacred Ray, the third joint military offensive carried out this year, represents an effective balance between Thai and Malaysian interests. At Bangkok's insistence, its principal target is the only ethnic Malay unit in the predominantly Chinese CPM. Malaysian willingness to move against this particular CPM component may help allay Thai suspicions about Kuala Lumpur's involvement with Malay Muslim separatists. The secondary target, CPM camps in the Betong salient, is of interest to the Malaysians because it includes the headquarters for the two strongest CPM factions. Furthermore, Betong is the region from which Malaysian counterinsurgency teams were expelled in June 1976 following Communist-inspired anti-Malaysian demonstrations.

Although the current operation will not succeed in killing or capturing many insurgents, it is meant to disrupt their base camps and logistic systems. Plans are also being developed to establish joint teams in the area to gather intelligence, organize village defense forces, and gradually win the trust and support of the villagers.

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BRIEFS

EUROPE: A Reuters news feature from Amsterdam underscores the critical nature of drug trafficking in Western Europe. According to unofficial UN statistics, Interpol heroin seizures increased 44-percent in 1976 over the previous year; and heroin seizures in both East and West European countries reportedly have tripled. Amsterdam is still the major distribution center for illicit drugs coming from the Middle and Far East, but Dutch authorities are cautiously optimistic that new and tougher penalties and an increased number of narcotics police will sharply reduce international drug traffic through their country. The recent crackdown on illegal Chinese immigrants from Hong Kong and Southeast Asia, who have controlled most of the drug traffic in Amsterdam, apparently has resulted in changing trafficking patterns with large land and sea shipments replacing the use of individual couriers smuggling relatively small amounts of narcotics by commercial airlines. [REDACTED]

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TURKEY: The only known heroin chemist in Turkey, who has been a fugitive for over three years, was captured recently in southeastern Turkey, according to the Turkish press. The fugitive, who reportedly had been associated previously with an Austrian heroin trafficking net, reportedly is seriously ill with tuberculosis. The Austrian drug ring reportedly was broken up about four years ago, but the former leader of the ring and the chemist's wife and sons had been providing raw opium and morphine base which the chemist had been converting into heroin in hotel room laboratories in Turkey. [REDACTED]

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TURKEY: The opium poppy harvest continues on schedule with nothing to alter the earlier unofficial estimate of upwards to 60,000 tons of poppy straw. Until Turkey's poppy straw processing plant is completed in mid-1978, the entire harvest will have to be shipped abroad for processing. The bulk of the crop is sold to foreign pharmaceutical firms as straw, but a small amount is processed abroad and returned to Turkey for its own pharmaceutical industry. Several thousand tons of last year's crop

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are still unsold. Apparently some of the current crop of poppy capsules being stored in southern Turkey have become moldy, causing concern among Turkish officials that the crop's morphine content might be affected. Chemical analysis, however, has shown no loss in morphine content. [REDACTED]

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HONDURAS: Captain Erin O'Connor, commander of Honduras' newly established Coast Guard, has informed US embassy officials that he suspects an international food company located in Honduras' Bay Islands is using its facilities to smuggle narcotics into Florida. O'Connor also told embassy officials that he had long heard reports of narcotics trafficking via the Bay Islands to the US. Now that he has responsibility for intercepting contraband in his country's coastal areas, Captain O'Connor intends to investigate the reports and to curtail any drug smuggling he discovers. [REDACTED]

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AFGHANISTAN: The initial meeting of the Joint Commission on Afghan narcotics matters, including representatives of the UN, the government of Afghanistan, and the US was held on July 27 as scheduled. The session was essentially exploratory and focused primarily on the development of the terms of reference for future discussions. It was agreed, for the time being at least, that the attention of the committee, as well as any concrete narcotics control programs, will be concentrated in the region of the Helmand River Valley, rather than in other areas in Afghanistan where narcotics producing crops, primarily opium poppies, are grown.

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